

David Denecke, OSB No. 784530
PO Box 1085
Portland, OR 97207
Telephone: (503) 449-7712
Facsimile: (971) 269-2868

Attorney for Debtor

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON
EUGENE DIVISION

In re:

PACIFIC RECYCLING, INC.

Debtor.

Case No. 15-62925-11

**DEBTOR'S APPLICATION FOR ORDER
TO EMPLOY DAVID DENECKE AS
SPECIAL COUNSEL FOR DEBTOR**

Pacific Recycling, Inc., debtor and debtor-in-possession (herein referred to as "Debtor"), hereby applies (the "Application") to the Court for an order approving the employment of David Denecke ("Attorney") as Special Counsel for Debtor in this Ch.11 proceedings. Debtor makes this Application pursuant to Section 327 of Title 11 of the United States Code (the "Bankruptcy Code"), and Federal Rule of Bankruptcy Procedure ("FRBP") 2014, and respectfully represents as follows:

BACKGROUND

1. Debtor desires to retain and employ Attorney as its special counsel in this Chapter 11 case, pursuant to Section 327 of the Bankruptcy Code, to represent Debtor beginning on the Petition Date through confirmation of a Plan of Reorganization (the "Plan") or dismissal of the case on the terms and conditions described below.

2. Debtor believes Attorney is well suited for this representation. Attorney has substantial experience in business, real estate, corporate, and finance matters.

3. Debtor wishes to obtain advice from Attorney on the particulars of business, real estate, and finance matters as part of this Chapter 11 reorganization and to render general legal services to Debtor as needed throughout the course of this Chapter. Debtor has been informed that Attorney is admitted to practice before this Court and that he has read Local Bankruptcy Rule 2016.

4. The services to be performed by Attorney are necessary in order for Debtor to perform its duties as debtors-in-possession. Subject to the control of and further order of the Court, Attorney intends to render the following services to Debtor:

- a. Advise Debtor regarding possible post-petition financing or disposition of Debtor's assets or operations; transactions for possible sale of Debtor's secured inventory; and, transactions for possible sale of newly acquired Debtor inventory. Attorney has knowledge of some complicated pre-petition financing agreements of Debtor, including State of Oregon Industrial Development Bond financing and New Market Tax Credit financing and Debtor intends to seek Attorney's advice on matters related to treatment of these financing agreement post-petition.
- b. Subject to Court approval, Debtor has agreed to compensate Attorney on an hourly basis in accordance with Attorney's ordinary and customary hourly rates in effect on the date services are rendered at an hourly rate of \$350/hour.

5. Attorney will maintain detailed, contemporaneous time records and records of expenses incurred with the rendering of legal services described above by category and nature of services rendered.

6. Attorney has represented Debtor for several years. The following payments were made within the last twelve months for pre-petition legal fees: See Ex. A.

7. For all post-petition services, Attorney will submit fee applications.

8. By this Application, Attorney may seek payment of additional fees or costs related to special counsel services incurred after the bankruptcy filing from the bankruptcy estate through interim and final fee applications, subject to the Court approval.

9. Debtor agrees and understands that Attorney has reserved the right to withdraw as special counsel to Debtor, and Debtor hereby consents to such a withdrawal, in the event it becomes apparent that Attorney will not be paid for its services. Debtor also recognizes that professional fees and costs incurred by Attorney are subject to approval by the Court after review of fee applications filed by Attorney.

10. To the best of Debtor's knowledge, Attorney does not have any connection with Debtor, its creditors, any other party in interest, or their respective attorneys or accountants, except as stated in the accompanying Rule 2014 Verified Statement of Proposed Professional (the "Verified Statement"). The Verified Statement is attached hereto as "Exhibit 1."

11. A copy of the (Proposed) Order Authorizing Employment of David Denecke as Attorney for Debtor is attached hereto as "Exhibit 2."

WHEREFORE, Debtor requests that the Court enter an Order authorizing the employment of Attorney to represent Debtor in this Chapter 11 case as its special counsel herein to render legal services as described above, with compensation and reimbursement of expenses to be paid as an administrative expense in such amounts as may be allowed by this Court after notice and a hearing pursuant to Section 330 of the Bankruptcy Code or as otherwise provided by the Court order.

DATED this 27th day of August, 2015.

Respectfully submitted,

PACIFIC RECYCLING, INC.

By: s/Rodney Schultz

Name: Rodney Schultz

Title: President

Presented by:

By: s/ David Denecke
David Denecke, OSB No. 784530
PO Box 1085
Portland, OR 97207
Telephone: (503) 449-7712
Facsimile: (971) 269-2868

Ex. A

July, 2014..\$ 6225

Aug., 2014 \$ 1120

Sept., 2014 \$ 2556

Dec., 2014 \$ 7465

Jan., 2015 \$ 770

Aug., 2015 \$ 1365

Total: \$19,501

UNITED STATES BANKRUPTCY COURT
DISTRICT OF OREGON

In re)
Pacific Recycling, Inc.) Case No. 15-62925-11
)
) RULE 2014 VERIFIED STATEMENT
Debtor(s)) FOR PROPOSED PROFESSIONAL

Note: To file an amended version of this statement per ¶19, file a fully completed amended Rule 2014 statement on LBF #1114 and clearly identify any changes from the previous filed version.

1. The applicant is not a creditor of the debtor except:

None: Debtor had an unpaid balance of \$1400 which applicant has written off and discharged.

2. The applicant is not an equity security holder of the debtor.

3. The applicant is not a relative of the individual debtor.

4. The applicant is not a relative of a general partner of the debtor (whether the debtor is an individual, corporation, or partnership).

5. The applicant is not a partnership in which the debtor (as an individual, corporation, or partnership) is a general partner.

6. The applicant is not a general partner of the debtor (whether debtor is an individual, corporation, or partnership).

7. The applicant is not a corporation of which the debtor is a director, officer, or person in control.

8. The applicant is not and was not, within two years before the date of the filing of the petition, a director, officer, or employee of the debtor.

9. The applicant is not a person in control of the debtor.

10. The applicant is not a relative of a director, officer or person in control of the debtor.

11. The applicant is not the managing agent of the debtor.

12. The applicant is not and was not an investment banker for any outstanding security of the debtor; has not been, within three years before the date of the filing of the petition, an investment banker for a security of the debtor, or an attorney for such an investment banker in connection with the offer, sale, or issuance of a security of the debtor; and is not and was not, within two years before the date of the filing of the petition, a director, officer, or employee of such an investment banker.

13. The applicant has read 11 U.S.C. §101(14) and §327, and FRBP 2014(a); and the applicant's firm has no connections with the debtor(s), creditors, any party in interest, their respective attorneys and accountants, the United States Trustee, or any person employed in the office of the United States Trustee, or any District of Oregon Bankruptcy Judge, except as follows:

Applicant has served as a general business attorney for the debtor and an affiliate of Debtor, PAC Recycling, LLC, for several years.

14. The applicant has no interest materially adverse to the interest of the estate or of any class of creditors or equity security holders.
15. Describe details of all payments made to you by either the debtor or a third party for any services rendered on the debtor's behalf within a year prior to filing of this case:

See Exhibit A.

16. The debtor has the following affiliates (as defined by 11 U.S.C. §101(2)). Please list and explain the relationship between the debtor and the affiliate:

- 1. Rodney Schultz - sole shareholder of Debtor**
- 2. PAC Recycling, LLC - owns real estate leased to Debtor. Rodney Schultz is sole member of LLC.**
- 3. PRI QUALICB, LLC. This Oregon LLC is an entity created as part of Debtor's New Market Tax Credit financing. It is owned 95% by Debtor and 5% by Steve Heberlien, an employee of Debtor.**
- 4. Ex Comp 24 was a Delaware LLC created to take advantage of certain export tax deductions. The owners were Rod Schultz (95%) and David Spray (5%).**

17. The applicant is not an affiliate of the debtor.

18. Assuming any affiliate of the debtor is the debtor for purposes of statements 4-13, the statements continue to be true except (list all circumstances under which proposed counsel or counsel's law firm has represented any affiliate during the past 18 months; any position other than legal counsel which proposed counsel holds in either the affiliate, including corporate officer, director, or employee; and any amount owed by the affiliate to proposed counsel or its law firm at the time of filing, and amounts paid within 18 months before filing):

Applicant has acted as attorney (and only attorney) for PAC Recycling, LLC, an affiliate, since it was formed in 2012 and has on occasion given legal advice to owner Rod Schultz in relation to affiliates. No fees were separately billed or received for those legal services.

19. The applicant hereby acknowledges that he/she has a duty during the progress of the case to keep the court informed of any change in the statement of facts which appear in this verified statement. In the event that any such changes occur, the applicant immediately shall file with the court an amended verified statement on LBF #1114, with the caption reflecting that it is an amended Rule 2014 statement and any changes clearly identified.

THE FOLLOWING QUESTIONS NEED BE ANSWERED ONLY IF AFFILIATES HAVE BEEN LISTED IN STATEMENT 16.

20. List the name of any affiliate which has ever filed bankruptcy, the filing date, and court where filed:
none

21. List the names of any affiliates which have guaranteed debt of the debtor or whose debt the debtor has guaranteed. Also include the amount of the guarantee, the date of the guarantee, and whether any security interest was given to secure the guarantee. Only name those guarantees now outstanding or outstanding within the last 18 months:

See Ex B.

Debtor guaranteed PAC Recycling LLC's \$2,499,620.00 loan from Banner Bank, on February 20, 2015. Banner Bank contends that the guaranty is secured by the lien on Debtor's inventory and accounts receivable.

22. List the names of any affiliates which have a debtor-creditor relationship with the debtor. Also include the amount and date of the loan, the amount of any repayments on the loan and the security, if any. Only name those loans now outstanding or paid off within the last 18 months:

Rodney Schultz made various unsecured loans to Debtor of which \$1,234,841.00 remains unpaid.

Ex Comp 24 was a Delaware LLC created to take advantage of certain export tax deductions.

Approximately \$1,050,463.00 is due and owing to Rod Schultz in connection with this company.

Debtor entered into a lease with PAC Recycling LLC, on January 1, 2012 for property located at 3300 Cross Street, Eugene, OR. Debtor owes one or more past due rent payments.

As part of New Market Tax Credit Financing PRI QUALICB, LLC is both tenant of Debtor under a ground lease and creditor of Debtor under a facilities lease.

23. List any security interest in any property granted by the debtor to secure any debts of any affiliate not covered in statements 20 and 21. List any security interest in any property granted by the affiliate to secure any debts of the debtor not covered in statements 21 and 22. Also include the collateral, the date and nature of the security interest, the name of the creditor to whom it was granted, and the current balance of the underlying debt:

Banner Bank made a loan in the amount of \$2,499,620.00 to PAC Recycling, LLC ("PAC") guaranteed by Debtor. As of July 31, 2015, Banner Bank maintained that \$2,536,628.27 was due and owing. The PAC note is secured by real property owned by PAC which is used for operation of Debtor's business.

Debtor leases real property from PAC pursuant to a lease agreement dated January 1, 2012. Debtor owes PAC for past due lease payments. Banner Bank contends that the PAC note is also secured by Debtor's inventory and accounts receivables under a cross-collateral provision in a Commercial Security Agreement dated April 10, 2014.

24. List the name of any affiliate who is potentially a "responsible party" for unpaid taxes of the debtor under 26 U.S.C. §6672:

Rodney Schultz

I verify that the above statements are true to the extent of my present knowledge and belief.

/s/ David Denecke

Applicant

Exhibit 2

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Ex. A

Aug., 2014 \$ 3225

Sept., 2014 \$ 3000

Oct., 2104 \$ 1120

Dec., 2014 \$ 2556

Dec., 2014 \$ 7465

Jan., 2105 \$ 770

Feb., 2015 \$ 1245

Aug., 2015 \$ 1365

Total: \$20,746

Ex B

Creditor/Lendor	Original Amount	Original Date	Present Balance	Guarantor
City of Eugene	500,000	6/20/12	448,142	PRI, PAC, Rod
GE Capital	9,000,000	12/27/12	6,588,148	PRI, Rod
Bank of the West	1,674,860	10/25/11	1,018,104	PRI, Rod
On Deck	200,000	10/19/14	0	PRI, Rod
Banner Bank	2,500,000	11/10/14	2,500,000	PRI, PAC, Rod
Gallic Finanical	525,000	5/1/14	525,000	PRI, PAC, Rod
Gallic Fianical	300,000	6/1/14	300,000	PRI, PAC, Rod
John Graham	300,000	10/1/13	266,564	PAC, Rod
John Graham	200,000	12/1/13	200,000	PAC, Rod
Meadow Lane	144,000	1/1/08	117,383	PAC, Rod
Alliance Funding	95,016	11/1/14	95,016	PRI, Rod
Alliance Funding	145,210	11/1/14	145,210	PRI, Rod
Alliance Funding	95,544	1/1/15	89,016	PRI, Rod
VFI	486,771	11/1/14	486,771	PRI, Rod
American Leasing	50,000	1/20/15	48,400	PRI, Rod

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON
EUGENE DIVISION

In re:

PACIFIC RECYCLING, INC.

Debtor.

Case No. 15-62925-11

**[PROPOSED] ORDER AUTHORIZING
EMPLOYMENT OF CABLE HUSTON
LLP AS COUNSEL FOR DEBTOR**

THIS MATTER came before the Court upon Debtor's Application to Employ David Denecke as special counsel for Debtor. The Motion was filed by Pacific Recycling, Inc., debtor and debtor-in-possession (herein referred to as "Debtor") in this Chapter 11 case. The Court, having considered the Motion, finding that: (a) the Court has jurisdiction of this matter pursuant to 28 U.S.C. §§ 157 and 1334; (b) venue is proper before this Court pursuant to 28 U.S.C. § 1408; (c) this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); (d) notice of this Motion and the hearing thereon was sufficient; and (e) the Court having determined that the legal and factual bases set forth in the Motion and at the hearing establish just cause for the relief granted, it is:

ORDERED THAT:

1. The Motion is **GRANTED**.
2. Debtor is authorized to employ David Denecke nunc pro tunc beginning August 27, 2015 as special counsel in matters arising in or related to this proceeding as of the Petition Date, and is further authorized to pay said attorneys a reasonable fee for their services upon application and order of the Court.

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Presented by:

By: _____
David Denecke, OSB No. 784530
daviddenecke@nwbusinesslaw.com
PO Box 1085
Portland, OR 97207
Telephone: (503) 449 7712
Facsimile: (971) 269 2868

Attorneys for Debtor

cc: List of Interested Parties
US Trustee

CERTIFICATE OF SERVICE

I hereby certify that I served or caused to be served the foregoing **DEBTOR'S APPLICATION FOR ORDER TO EMPLOY DAVID DENECKE AS SPECIAL COUNSEL FOR DEBTOR** and **RULE 2014 VERIFIED STATEMENT FOR PROPOSED PROFESSIONAL** by **MAILING** a full, true and correct copy thereof in a sealed, postage-paid envelope, addressed as shown below, and deposited with the U.S. Postal Service at Portland, Oregon, on the date set forth below:

Office of the United States Trustee
405 E 8th Avenue #1100
Eugene, OR 97401-2706

Pacific Recycling, Inc.
3300 Cross Street
PO Box 2633
Eugene, OR 97402

Joseph M. VanLeuven
Davis Wright Tremaine LLP
1300 SW 5th Avenue, Suite 2400
Portland OR 97201

GE Capital
c/o John W. Weil
Weil & Lewandowski LLP
10300 SW Greenburg Road, Suite 430
Portland, OR 97223

All Pro Machine & Mfg.
Attn: Jim Barr
1950 N 39th Street
PO Box 71727
Springfield, OR 97475

AmeriMex Motor & Controls, Inc.
Attn: Wade Stockstill
707 North Drennan Street
Houston, TX 77003

Bank of America Credit Card
Attn: Jon McLean
206 E 10 Street
Eugene, OR 97401

Columbia State Bank Credit Card
Attn: Jeff Kister
1005 Green Acres Road, No. 101
Eugene, OR 97408

DEQ
Attn: Mary Fritzmann
811 SW 6th Avenue
Portland, OR 97204

Deus Machine
Attn: Ravi Brounstein
1430 Willamette Street
Eugene, OR 97401

Dorman Construction, Inc.
Attn: Steve Dorman
303 S 5th Street #135
Springfield, OR 97477

Farwest Steel Corporation
Attn: Shelly Skites
PO Box 1026
Eugene, OR 97440

John Graham
3480 Eola Drive
Salem, OR 97304

HMS Trading (LL Trading)
Attn: Lisa Li
11 Leona Drive
San Rafael, CA 94903

Ideal Steel
Attn: Ron Duquette Sr.
90693 Link Road
Eugene, OR 97402

Murphy Company
Attn: Dave Knight
2350 Prairie Road
Eugene, OR 97402

Sam Jacobs Group LLC
Attn: Sam Jacobs
1220 S 194th Street
Omaha, NE 68130

Tyree Oil
Attn: Ashley/Carissa
1355 West 1st Avenue
PO Box 2706
Eugene, OR 97402

Union Pacific Railroad Company
Attn: Demurrage Team
1400 Douglas Street
Stop 1410
Omaha, NE 68179-1410

Larkins Vacura LLP
c/o Christopher J. Kayser
121 SW Morrison Street, Suite 700
Portland, OR 97204

Melva Murphy
342 SW Oleander Street
Junction City, OR 97448

Spectrum CPA Group, LLP
Attn: Ron Boyd
233 SW Wilson Avenue, Suite 204
Bend, OR 97702

Umpqua Bank Credit Card
Attn: Randy Richichi
675 Oak Street
Eugene, OR 97401

Willimina Lumber
Attn: Dave Kiser
1000 Willamina Creek Road
PO Box 8
Willamina, OR 97396-0008

DATED this 28th day of August, 2015.

CABLE HUSTON LLP

By: /s/ Laura J. Walker
Laura J. Walker, OSB No. 794329
Attorney for Debtor

4848-1959-3767, v. 1